
Minutes

Board of Natural Resources Meeting

December 2, 2008
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

The Honorable Doug Sutherland, Commissioner of Public Lands
Bob Nichols, for the Honorable Christine Gregoire, Washington State Governor
The Honorable Terry Bergeson, Superintendent of Public Instruction
The Honorable Jon C. Kaino, Commissioner, Pacific County
Bruce Bare, Dean, University of Washington, College of Forest Resources
Daniel J. Bernardo, Dean, Washington State University, College of Agricultural, Human, and Natural Resource Sciences

BOARD MEMBERS ABSENT

None

CALL TO ORDER

Chair Sutherland called the meeting to order at 9:08 a.m. on December 2, 2008, in Room 172 of the Natural Resources Building.

APPROVAL OF MINUTES

MOTION: Bob Nichols moved to approve the November 4, 2008, Board of Natural Resources Meeting Minutes.

SECOND: Jon Kaino seconded.

ACTION: Motion passed unanimously.

Chair Sutherland invited Eric Schroff, Pacific Cascade Region Manager to approach the board. He recognized Mr. Schroff and his staff for their hard work and dedication during and after the December 2007 storm event. Chair Sutherland read the Board members a letter of recognition to Mr. Schroff and asked them to join him in signing the letter of recognition; he asked Ms. Hill to copy the signed letter for the files and to give Mr. Schroff his signed copy after the meeting.

Mr. Schroff thanked the Board saying that it was an honor to provide the service to the members of the affected communities. He noted that his staff had done some remarkable work. He thanked the Board for the work they did in helping the region staff be successful in their work. He said that their intention, interest and decision-making were appreciated.

Ms. Bergeson commented on the extraordinary work that was done to help the people in that region and added that the benefit to the trusts were commendable.

Mr. Schroff said that the resilience and the positive attitude to get it done was sobering because the devastation in December was profound; by August the area had been restored to the bit of Eden that is the reason why people live in that valley.

Mr. Kaino commented that as someone who lives in the impacted area he sees the difference everyday; the progress is still going on in Pacific County and other affected areas. He said he feels it is safe to say that 80 percent of the blowdown is out. He said that this was a good example of government working very fast, and Mr. Schroff should be proud of his accomplishment.

PUBLIC COMMENTS FOR AGENDA ACTION ITEMS

Commissioner Dean Cummings from Pend Oreille County commented on the Fertile Valley Trust Land Transfer. He said that the County is in favor of the transfer as they plan to develop the land into an equestrian park and trail system.

TIMBER SALES (Action Item)

Proposed Timber Sales for January 2009 (Handout 1)

Jon Tweedale, Assistant Division Manager, Product Sales & Leasing Division, greeted the Board and provided the timber sales presentation for the month of January. He provided the marketing update. Stumpage prices have been trending downward but they have seen some volatility; some price strength and some price weakness depending on the quality of timber sale. Log inventories have been fluctuating in the mills resulting in volatility in log prices as well. He said that paper and fiber is typically tied to the Gross National Product (GNP) growth in foreign countries and with that dropping the fiber and paper prices are tailing off. He said that there is not a lot of optimism for the next six months but by the end of this calendar year there is hope that there will be some strength in the marketplace.

November 2008 Sales Results:

9 sales offered & 7 sold; 33.6 mmbf offered & 27.4 mmbf sold; \$6.8 million minimum bid & \$6.3 million sold; \$203/mbf offered & \$231/mbf sold; average number of bidders = 2.7

Mr. Tweedale noted that his staff had a meeting with the U.S. Forest Service which was curious why Washington and Oregon were able to sell their wood for good prices and with good competition. He said it was interesting to present what DNR does and let the Forest Service draw its own conclusion as to what it needs to change.

Mr. Kaino asked if there was anything obvious that stood out on the two sales that didn't sell.

Mr. Tweedale recalled that they were thinning sales; probably small wood hemlock and characteristic of the low-end marketplace of today.

Proposed January 2009 Board Sales:

- 12 sales at 62.8 mmbf; \$13.0 million minimum bid; average \$207/mbf.

Mr. Tweedale noted that there are three no-bid sales from last month incorporated into the January package. He said those three sales were queued up quickly to add back to the January package.

There were no SEPA comments.

MOTION: Jon Kaino moved to approve the January 2009 timber sales.

SECOND: Dan Bernardo seconded.

ACTION: Motion passed unanimously.

Canoe Trees to the Tribes

Jed Herman, Product Sales and Leasing Division Manager, approached the Board to provide an update on the sale of canoe trees to the tribes. The Department is not prepared to present an action item; it is waiting on some identification of specific trees in order to get cruise information and work up an appraisal which would be the material for the board resolution. He said that staff hopes to bring more information to the January meeting for the Board's consideration.

Ms. Bergeson asked that the Board be provided with clear information about what it means to deal with the canoe trees. She recalled that the trees would be used for canoes and wants to keep those parameters at a very limited use. She expressed that she wanted to know what was going to be considered overall before the first agreement is made.

Mr. Herman said that a canoe tree is too simplistic of a term. He said that in the Policy for Sustainable Forestry they are referred to as cultural use which is a better descriptor in terms of nomenclature to capture what that is about.

Ms. Bergeson said that is a much broader nomenclature.

Mr. Herman noted that three tribes are interested in one tree each and there is still some discussion about which specific tree and their locations.

Ms. Bergeson stated that she wants the Board to be clear that this is an exception to policy that it is being made and that there is clear language that restricts the use of these trees due to the Department's policy about old growth. She said the Department needs to be careful about the number of tribes and the use of the broader term of cultural use. She wants to look at the existing policy and how the exceptions would be made on a case-by-case basis.

Mr. Nichols said that the minutes from the last meeting highlight several overarching concerns, and the movement from canoe trees to a cultural use heightens the need to be clear. He would like a projection of how many trees will be involved and also confirmation of how this will affect

the environmental settlement package. Mr. Nichols said the use of these trees could be moved in the Forest Resources Plan from old growth to cultural use but he wants to know if that fits within the old growth policy because it would be an exception. He also asked to what extent other land use managers would have in making old growth accessible for these cultural purposes; the Forest Service stands out prominently but there may be others. He also asked to what extent they need to take a live tree as opposed to a large tree that needs to be taken down for public safety reasons or is in the path of construction, or could they take a tree that has fallen down. He noted that these are his concerns and should be discussed before three specific trees are considered.

John Viada, Olympic Region Manager stated that he had gone out and looked a tree with Chris Morganroth, the carver for the Quileute Tribe. He said that the primary need is for a canoe but there will be leftover material. He assured the Board that the tribe will use the leftover tree for other things such as the bark for baskets, but they want to time this in order to use all the materials. For example, if the Potlatch purchases a tree in the spring when the bark is loose they can strip it and use it for baskets. The tribes do want to use as much as possible for other things.

Ms. Bergeson said that her concern is the future and the exceptions that are being made. She does not want the Board to open the door to a situation that could create disputes between the tribal communities and the Department.

Chair Sutherland asked Mr. Herman to get the policy issues taken care of and bring those results back to the Board in January.

LAND TRANSACTIONS

Dow Mountain Acquisition

Brad Pruitt, Transactions Manager for the South Puget Region, approached the Board to provide the presentation of the Dow Mountain Acquisition. He reviewed slides that outlined the parcel boundaries.

The Department of Natural Resources proposes to purchase 80 acres, more or less, of real property owned by Douglas Fir Christmas Tree, L.L.C., and located in Mason County. The purpose of this purchase is to replace Common School Trust property previously transferred under the authority of RCW 79.17.200. The Common School Trust will acquire property that has income production potential. The property is approximately 2.5 miles North of Hoodspport, in the south end of DNR's Hood Canal Block, and is within Section 35, Township 23 North, Range 4, West, W.M., in South Puget Sound Region. Purchase price is \$225,000. Conveyance of title will be by Statutory Warranty Deed, and title insurance will be provided by the seller. The State will pay Compensating Tax, and will acquire minerals.

Mr. Pruitt noted that the property is an 80-acre parcel zoned for forestry. The parcel contains 20 year old Douglas fir regeneration; the county has zoned the property as long-term commercial forest with one house per 80 acres. The site is productive and is Site Class 2, low in elevation approximately 800 ft in elevation with a gentle terrain. "85% of the property is operable.

Inoperable portions of the property include a power transmission line easement and Sund Creek (a Type 3 Creek that will require a buffer)". The erosion potential in the area and on this parcel is low. He reviewed the market value and noted that as part of the transaction the Department has agreed to pay \$6,000 of the sellers compensating tax. The benefits are to the Common School Trust; future revenues will be improved by this acquisition; and it eliminates an in-holding which removes the need for survey costs and provides access to an adjacent stand of timber.

Mr. Bare asked if he had any breakdown on the value on the bare land value versus the re-prod value.

Mr. Pruitt replied that the re-prod is pre-commercial timber and is worth about \$80,000; there was no breakdown in the appraisal, and those were internal forest investment values.

Mr. Bernardo asked about the ownership of 160-acre parcel to the west.

Mr. Pruitt explained that it was county forest transfer land.

MOTION: Terry Bergeson moved to approve Resolution 1277.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

South Stevens Phase 2 Land Exchange

Bob Winslow, Exchange Transaction Manager in Asset Management and Protection Division provided the presentation for the South Stevens Phase 2 Land Exchange. He explained that this is the second phase of this project; phase one was approved in January 2008 by the Board and that transaction has been closed.

The Department of Natural Resources proposes to exchange 654.88 acres, more or less, of State Common School Trust properties in Yakima, Whitman and Kittitas Counties for 531 acres, more or less, of private property to be transferred or cause to be transferred by Clearwater Group LLC in Lincoln and Stevens Counties. The Common School trust is the only trust involved in this phase of the exchange. The State property asset base is improved by:

- Consolidating State ownership in a blocked unit;
- Reducing management costs; and
- Increasing long-term returns to the trust.

Mr. Winslow reviewed the approximate locations of the State properties on the presentation and they are shown in the table below.

Parcel	County	Nearest City	Section	Township	Range	Region
S-56	Whitman	7 miles W of Pullman	36	15	43E	Southeast
S-58	Kittitas	3 miles SW of Roslyn	26	20	14E	Southeast
S-59	Yakima	3 miles SE of Mabton	16	8	23E	Southeast

The approximate locations of the properties to be transferred or cause to be transferred by Clearwater Group LLC are shown in the table below.

Parcel	County	Nearest City	Section	Township	Range	Region
P6-A	Lincoln	3.5 miles NE of Almira	25	26	31E	Southeast
P6-B	Lincoln	4 miles NE of Almira	30	26	32E	Southeast
P17	Stevens	7.5 miles SW of Springdale	16	29	39E	Northeast

Public notice was given and public hearings were held in Wenatchee, Chelan County on October 10, 2007, Nine mile Falls, Stevens County on October 11, 2007, Aberdeen, Grays Harbor County on December 11, 2007 and Wenatchee, Chelan County on December 13, 2007. Properties to be transferred or cause to be transferred by Clearwater Group, LLC are encumbered by:

- 1 sharecrop lease on parcel P-6
- 2 utility easements on parcel P-6
- 1 fence encroachment on parcel P-17

Acres and Value by Trust				
		BEFORE EXCHANGE		AFTER EXCHANGE
		Acres	Market Value	Acres Market Value
Common School - 03		654.88	\$484,100.00	510.66 \$479,000.00
Cost Reimbursement –				
Funds to RMCA				\$5,100.00
Total				

Conveyance of State title will be by quitclaim deed, with mineral rights reservation. Conveyance of private properties through actions of Clearwater Group LLC will be by statutory warranty deed, and title insurance will be provided to State by Clearwater Group LLC. DNR will acquire private mineral rights on all private properties through actions of Clearwater Group LLC for all acquired lands. DNR to receive \$5,100 in cash at time of closing for cost reimbursement to be placed into the Resource Management Cost Account. Costs for transfer taxes associated with closing of the transaction will be paid out of the Real Property Replacement Account.

Mr. Winslow noted that the Department is working directly with the Clearwater group who is the exchange facilitating principal. Clearwater group is in turn working with several landowners on separate transactions. Clearwater Group LLC holds separate contracts with those landowner groups.

Mr. Winslow reviewed the location of the 655 acres of trust acreage and the 531 private lands; he gave a brief description of the parcels and reviewed them on the presentation map. He noted that the trust parcel located in Yakima County is in an agricultural zoned area and is currently used as grazing land.

Chair Sutherland asked if there were any water rights on that property.

Mr. Winslow replied that there are not any irrigation water rights, and that the property is located at a higher elevation than the irrigation canal. He provided a description of the third state parcel in Whitman County.

Chair Sutherland asked if the parcel was a dry land farm.

Mr. Winslow replied that the parcel is a dry land farm and that it is leased for dry land agriculture. He explained that the steepness of the topography on portions of the parcel and the small parcel size limit trust income that can be generated by the State through DNR leases; this is why the Department is considering conveying this parcel.

Mr. Winslow described the private property parcels. He noted that the first property is located in Stevens County north of the Spokane Indian Reservation. The parcel is bounded on three sides by Common School Trust Lands; it was harvested in recent years and the regeneration is coming back well. DNR is working towards obtaining enhanced access to this section of land so it can harvest the remaining timber in this area.

Chair Sutherland asked if it is an in-holding.

Mr. Winslow replied that it was an in-holding.

Mr. Kaino asked what kind of timber was on the parcel.

Mr. Winslow replied that it is Douglas fir and Grand fir. He noted that it was site class 2 for Eastern Washington for Douglas fir. The parcel is level topography which will make it a ground lead harvest system in the future.

Mr. Nichols asked about the Spokane Indian Reservation.

Mr. Winslow replied that the parcel is located approximately a half mile north of the Spokane Indian Reservation. He said that this location is an area in DNR's Asset Management Plan where DNR would like to acquire some additional forest lands and consolidate the trust holdings that it currently has.

He gave a description of and reviewed the parcel in Lincoln County. He said that the property is a dry land agricultural parcel with both tillable and grazing lands. There are approximately 362 tillable acres and the yield is estimated to be 55 bushels of wheat per acre on a two year crop cycle.

Ms. Bergeson asked if that was good or mediocre.

Mr. Winslow replied that it was good for that area.

Mr. Nichols said the Lincoln County parcel seems isolated and asked if it is part of a broader [Department plan to consolidate lands](#).

Mr. Winslow explained that the size of the parcel makes it desirable for leasing.

Mr. Nichols asked if it can stand on its own as opposed to being part of a consolidated broader package.

Mr. Winslow replied that while the Department is working hard to consolidate forest lands, as long as the agricultural lands are large enough to be functional and are highly coveted leasable properties they work well over time. He said that the Bureau of Land Management (BLM) has acquired land to the east of the property which will make it a defensible boundary over time.

Mr. Nichols said that he noticed that the property lines around the parcel were drawn around obvious improvements and he assumed that whoever owns the improvements had originally own the acreage. He asked if there are additional privately owned lands that will be farmed.

Mr. Winslow replied that the Anderson family originally owned land in that area; they conveyed some of the land to the BLM and they kept the home structures and some of the outbuildings. This property is currently owned by Almira Farm LLC which is a group of investors.

Mr. Kaino asked if leasing it to someone other than the former owners is an issue.

Mr. Winslow said that the conveyance is subject to the current lease with a tenant named Nielson; it will be an ongoing lease with the standard lease rental rates. He said that the trust rental income projection is \$15,000 a year. The current income from the current trust property is approximately \$2,000 a year. The income after the exchange will be approximately \$17,000 a year assuming \$5.00 a bushel wheat price. The forest land acreage would double in size from 40 acres to 80 acres as a result of the exchange.

Mr. Winslow reviewed the public outreach activities. There were eleven public workshops held throughout the state in late 2006. A total of four hearings were held in October and December of 2007 where DNR obtained testimony relating to all the properties in the exchange. In addition to the workshops and hearings, postcards were sent to numerous constituent groups. The Department received no direct comments in regards to the exchange properties; there were indirect comments relating to increased efficiencies and encouragement for DNR to further consolidate trust lands as part of the South Stevens transaction. He noted that the Board packet contained a summary of the testimony from the people who attended the hearings.

Chair Sutherland asked if this is the last part of a large overall exchange.

Mr. Winslow said that this may be the last part (Phase), but there are still some lands that DNR would like to pick up and DNR may be exploring a couple more possibilities.

Chair Sutherland asked if these parcels are all part of the South Stevens Exchange.

Mr. Winslow replied that they are part of the larger exchange.

Mr. Bernardo said that one of the risks of this type of land is that this is low rainfall, dry land and there is a lot of this type of land that is going to be coming out of the Conservation Reserve Program (CRP) which is a ten year set aside program. He said that there is added risk with this land type because he is assuming that the budget will dictate that the feds aren't going to be able to renew all these contracts. He predicts there is going to be a lot of this type of wheat, fallow land out there and basic economics will say that the rental values will go down.

Ms. Bergeson asked what impact this piece would have as part of the larger picture.

Mr. Bernardo replied that in terms of this acquisition itself it is one of the two parcels that DNR is acquiring; which is a significant portion of this five piece parcel swap. He said in all due respect to foresters he thought that it is a better deal than trees.

Ms. Bergeson asked Mr. Bernardo if he was alarmed by it.

Mr. Bernardo said he was not alarmed by it. He said he thinks the Department needs to be cautious about the land in the intermediate and low rain belt areas because there is going to be a developing trend and the market and the leases are going to begin reflecting that. He said there are fewer farmers out there and if the wheat prices remain at \$5.00 per bushel the land is still leasable but it is going to be more difficult to lease than it has been in the last five years.

Mr. Winslow said the revenue from the CRP was not factored in the revenue projection.

Mr. Bernardo asked if a portion of this land was in CRP.

Mr. Winslow replied that it did have about 42 acres in the CRP, but the contract expired in September.

Mr. Bernardo asked if the low bar on the bar chart Mr. Winslow showed earlier that reflected the annual revenues shows any projected one-time harvest income on the other lands.

Mr. Winslow explained the bar chart stating that he only projected the agricultural rental. He noted that both parcels of forest lands have been harvested; there is some standing timber on both but the Department is picking up 80-acres of Site Class 2 lands as opposed to the existing 40-acres. He said there will be a gain in timber and he didn't perform the projections to calculate the future timber revenue because he wasn't sure if it would be an even-age or uneven-age management system for the parcels. The complexity of determining the size and scope of that revenue would have been difficult.

Mr. Bernardo said that if that had been done, and a value for that timber was reflected, the bars would be in favor of the foresters.

Mr. Winslow said that there would be long-term additional gain in timber revenue in addition to leased rental due to the doubling of the forest acreage.

Mr. Kaino noted that these are two large pieces that the Department is filling in with a couple smaller pieces to help balance out values; if you look at the graph your first instinct may be that the people DNR is trading with must not be very smart, but we know that this is probably not the case and he expects that the Yakima piece is being looked at as an alternative use other than what the Department is using it for. It is located on the Yakima River and off of I-90; the value is not in the annual lease rate, the value is in future development.

Mr. Winslow said that that trust parcel does not have legal access and it is in an agricultural zoned area. He said that it is difficult to cluster houses at one house per 40 acres and it may be difficult to get permits from the county.

Mr. Kaino said that obviously someone thinks there is some value there because they are giving up \$1,600 in potential revenue per year for \$1,000.

Mr. Winslow said that each of the private parties hopes for and expects different things out of the transaction. He said that this is a sheep landing area tied to a family; it is close to their operations and they hope to pick it up. He said that DNR does not feel like it can achieve additional gains from this property and it is in the best interest of the Department to convey it.

Mr. Nichols asked what the other two properties will be used for.

Mr. Winslow said the parcel in Kittitas County will likely be used for rural residential; it may stay as open space, but it is outside the master planned community of Suncadia and they want to pick it up so they don't have others encroaching on their development. They also bought the property in Lincoln County that will be conveyed to the Department. The Whitman County parcel would go to a gentleman from Pullman, who owns the 80 acres of forest land in Stevens County that is the private in-holding of the DNR parcel.

MOTION: Jon Kaino moved to approve the South Stevens Phase 2 Land Exchange Resolution 1278.

SECOND: Terry Bergeson seconded.

ACTION: Resolution 1278 was adopted.

Fertile Valley Trust Land Transfer

Evert Challstedt, Property and Acquisition Specialist approached the Board to provide the presentation on the Fertile Valley TLT.

Ms. Bergeson asked Mr. Challstedt to give an overview of the big picture of the goals for the next transactions.

Mr. Challstedt explained that all of the projects listed on today's agenda are part of the \$98 million dollar Trust Land Transfer (TLT) package that the Legislature allocated for the transfer of

properties. Fertile Valley is a stand alone transfer; he will present the others as a package because they include exchanges to facilitate the actual transfers which are shown at the bottom of the list on the agenda; they include the Charley Creek East and the Mount Si North properties.

Mr. Challstedt reviewed the description and location of the Fertile Valley Transfer. He indicated that a large portion of land to the west of the parcel is being purchased by the State Department of Fish and Wildlife (WDFW). He noted that there is a 40-acre state parcel that will be an in-holding within the WDFW purchase that will be a future TLT. He provided an aerial view of the property; it is forested, and has county road access. It has been managed for timber production in the past but is being encroached upon by residential development and equestrian use, and is a heavily used property.

Mr. Challstedt reviewed the values of the timber and land. He noted that the timber value will be deposited into the Common School Construction Account and the land value will be placed in the replacement account and reinvested into productive land. The property will be transferred to Pend Oreille County with a deed restriction that it be used for public open space.

Chair Sutherland asked if the deed restriction would be in perpetuity.

Mr. Challstedt replied that it would be in perpetuity.

Mr. Nichols asked if this is one of the properties on the TLT list that was previously presented to the Board.

Mr. Challstedt said that it was and that he would bring the list to the next meeting so the Board could see the progress. He noted that they have been making slow progress because of some difficulty getting appraisals out and back. They are coming in now which means there will be quite a few transfers coming up.

The Department of Natural Resources proposes to transfer 561 acres, more or less, of Common School Trust property located in Pend Oreille County to Pend Oreille County. Proceeds from the timber value will be deposited into the Common School Construction Account. The land value proceeds will be deposited to the Real Property Replacement Account and used to purchase replacement property desirable for the Common School Trust. The property asset base of the Common School Trust is improved by:

- Disposing of property that is inefficient to manage for timber harvest income.
- Disposing of an isolated ownership geographically separated from other trust holdings.
- Enabling replacement of the asset with property that has greater potential for income production to provide future revenue to support public schools statewide.
- Public trust benefits include transferring property with significant ecological value to an agency to be held and managed for public benefit.

The property is located approximately 30 miles north of Spokane within Section 16, Township 30 North, Range 43 East W.M., in Northeast Region. The property is encumbered by a county road easement. There are no improvements on the property. There is no present income associated with the property. The market value is:

Timber (9,122 Mbf)	\$1,592,000
Land & Reprod	<u>.\$1,290,000</u>
TOTAL	\$2,882,000

The terms of the transfer are cash. The property is included in the 2007-2009 Biennium Trust Land Transfer Program. Approval and funding for the transfer is authorized by Washington Laws of 2008, Ch. 328, Section 3042 and RCW 79.17.200. Transfer will be by quitclaim deed. Mineral rights will be retained by the Common School Trust. As specified by legislation, permitted use will be restricted to the following public purposes: fish and wildlife habitat, open space or recreation.

MOTION: Terry Bergeson moved to approve Resolution 1279.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

INTERGRANT LAND EXCHANGES

Evert Challstedt, Property and Acquisition Specialist continued addressing the Board to provide the presentation on the Intergrant Land Exchanges.

Mr. Challstedt explained that he is presenting three resolutions. The Intergrant Exchange resolution includes four TLT exchanges that have been combined into one resolution and would have to be approved first to facilitate the TLT. The Charley Creek East TLT and Mt. Si North TLT will be presented as two separate resolutions. He noted that he is going to start out with the properties to be transferred and then explained that they have to be exchanged to make them Common School trust before the transfers can actually occur. He explained that the exchanges facilitate the transfers. He noted that he would talk about Charley Creek East TLT first then the Mt Si North TLT; next he will move on to explain the exchanges.

Charley Creek East Trust Land Transfer

Mr. Challstedt continued on to provide the presentation on the Charley Creek East Trust Land Transfer. He noted that it is in King County within Tacoma's Green River Watershed; it is a closed entry watershed and there is no public access. He showed a photo of Charley Creek. He reminded the Board that two years ago it approved the transfer to a Natural Area Preserve (NAP) status of Charley Creek West. The Department is proposing to transfer the remaining portion of the NAP, which is all of the state trust land that has been designated within the NAP boundary. It has been approved as an official boundary by the Natural Heritage Advisory Council.

Ms. Bergeson asked if the Department is acquiring additional NAP.

Mr. Challstedt said that it is expanding the existing NAP. He reviewed the existing boundaries and the proposal, noting the five trust ownerships on the property. He said that there are 392

acres of Common School that do not need to be exchanged, and 120 acres of state forest board transfer that does need to be exchanged and needs to remain in King County. There are 220 acres of Scientific School Trust that needs to be exchanged for Common School Trust. The exchange also includes 70 acres of Normal School and 38 acres of Agricultural School. He said there are four trusts that need to be exchanged.

Ms. Bergeson said that she is still confused about which of the properties will become the NAP.

Mr. Challstedt showed the areas on the map that would become Common School if the exchange is approved. Then if the Board approves the transfer the properties will become NAP.

Mr. Kaino asked why the area cannot be designated as a Natural Resources Conservation Area (NRCA).

Mr. Challstedt explained that the property fits the criteria for an NAP because it is an older, untouched forest that is unique in size and elevation in the Puget Sound trough. It is the largest untouched forest of this Douglas fir ecosystem type in the Puget Sound area.

Mr. Kaino said that it is beautiful property and it is a shame that the taxpayers that are buying it won't get to see it.

Chair Sutherland asked Mr. Challstedt who the ultimate owner will be.

Mr. Challstedt replied that it will stay within the Department and will be managed under the NAP program.

Chair Sutherland asked if it is immediately adjacent to the Tacoma Watershed.

Mr. Challstedt replied that the property is entirely within the Tacoma Watershed and there isn't any public access available to the site at this time. The public cannot travel to the site without being escorted to the site by Tacoma Watershed staff or the Department.

Ms. Bergeson asked because the property is already in "defacto" NAP status is one of the reasons the Department is considering this.

Mr. Challstedt answered that it could be one of the reasons why it is being considered for NAP status. He invited Pene Speaks to address the Board to provide more information.

Pene Speaks, Manager of the Natural Heritage and Natural Areas Programs approached the Board to explain the site identification process. Ms. Speaks explained that this is Phase 2 of the NAP transfer and this site was identified by Natural Heritage scientists, particularly the west side ecologist, as being an outstanding example of at least two forest types. She apologized that she did not have the details with her but she said it is a great representative of these forest

types One of the objectives of NAP's is to protect representative ecosystems for baseline reference sites and this property fulfills that objective. The property has not been managed so it displays all the characteristics of naturally regenerated forests. The property does contain an element occurrence under the Natural Heritage Plan which is one of the criteria for any NAP designation; it meets the requirements of the Natural Heritage Plan for a higher quality example of an ecosystem. One of the considerations was that this property doesn't have any public access; NRCA's are areas identified for high ecological values that are expected to provide some kind of low-impact recreational use. Because this is within the watershed and behind a monitored locked gate it does not have the kind of access needed for NRCA designation.

Chair Sutherland mentioned that this particular watershed is where the city of Tacoma gets its water.

Ms. Bergeson asked if the Department could manage it for productive timber.

Chair Sutherland replied that it cannot be managed for productive timber; although there has been some management to the west further away from the area where the water is secured for drinking purposes for the City of Tacoma and it's surrounds.

Mr. Kaino said that logging can be done in a watershed.

Chair Sutherland agreed that logging can be done, but he said that there are no roads or access and there would have to be a significant capitol investment to do that. He noted that the staff from the Natural Heritage Program along with the water utility staff from the City of Tacoma agreed that on a long-term basis it made more sense to utilize these lands as an NAP as opposed to any other active use. He said that the schools and the other trusts would not receive any benefits from it; the idea is to approve the transfer and exchange, and take the resources from this property and place them in an area where there is a longer-term management capability.

Mr. Kaino said that he could see three clear cuts in the picture on the presentation.

Mr. Challstedt said that the Department has managed the stands in the past but has not attempted to harvest any of the stands within the boundaries. He indicated that there are some fringe areas that show up within the NAP boundary but by and large the core of the area has never been harvested. He said it was a stand that started from a fire kill 150 years ago and there are some remnant older trees that survived the fire and served as a seed source. It is a natural stand that has never been harvested or roaded, except for one road that goes through the property and the fringe area that was harvested..

Ms. Speaks said that the boundary does include areas that may have been managed but the ultimate boundary is not just the ecological boundary, but what makes sense from a management perspective; in some instances existing roads were used. Using roads made the most sense for identifying the final boundary.

Mr. Nichols said he understands that the land will not be harvested. He said that he understands that the fringes had been harvested but wanted to confirm that the bulk of the property is not likely to provide long-term value to the trusts. He recalled a presentation on this last year that talked about the overarching restrictions that are already in place.

Ms. Speaks confirmed Mr. Nichols statement and said that there was a presentation given that talked about the full design of the preserve at that time understanding that because of the timber and land values the transfer had to be done in a two phase process.

Mr. Kaino noted that he voted for that NAP.

Mr. Bare asked where Charley Creek is and in regard to the HCP what kind of habitat is on the property.

Mr. Challstedt located Charley Creek on the presentation photo for Mr. Bare. He explained that it contains a dispersal habitat within the HCP which restricts harvesting.

Mr. Bare asked if that obligation would carry over to the NAP.

Ms. Speaks said that the obligation would carry over and the trust managers will continue to have that habitat credit.

Mr. Kaino asked if it has a management plan in place.

Ms. Speaks replied that there is no management plan in place yet.

Mr. Kaino asked if a management plan is required.

Ms. Speaks said that a management plan is required and one will be completed.

Mr. Kaino asked Ms. Speaks if she knew when the management plan would be completed.

Ms. Speaks replied that she did not know when it would be ready. She said that this property does not have the kind of pressure for public access that other sites do, so this plan may take longer to complete.

Mr. Bare asked what other entities the TLT can be transferred to under the legislative direction the Department is working under.

Mr. Challstedt replied that generally the program works to transfer to a public agency. The Department proposes to the legislature and they provide us with direction about which agencies are going to receive which lands. The restrictions are specifically laid out in the legislation saying that it will be used for state park purposes for those that go to State Park; Fish and Wildlife habitat for lands that go to wildlife and/or to the counties or other entities. The other category is open space and/or recreation. When the Department transfers land to a county it

includes in it fish and wildlife habitat, open space or recreation as the permitted uses for that land. Another category was added this biennium by the legislature, that was housing and government services for land transferred earlier to the Hoh Tribe.

Mr. Kaino asked if Fertile Valley went directly to Pend Oreille County for recreational or open space use only.

Mr. Challstedt explained that the string of restrictions on that property will be fish and wildlife habitat or open space.

Mr. Bare said that he is aware of Mr. Kaino's dislike of NAP's but that all the Department is doing is carrying out the legislative intent, which is legal.

Mr. Kaino said that the program is created by the legislature but they did not rank these projects; that is done by the Natural Heritage Advisory Council, who makes the recommendations whether the properties should be an NAP or NRCA.

Mr. Challstedt continued on to review the timber and market values. He showed photos of the Charley Creek NAP area.

Mr. Bare asked if the 80/20 land timber value pertains to each individual transfer or is it for the whole package. He asked if this one was out of balance and if Mr. Challstedt would explain how the 80/20 works.

Mr. Challstedt replied that 80% of the appropriation has to go to the Common School Construction Account, whether it goes through the program or is transferred at the end. 20 % can be used for the land component values.

Mr. Bare asked if this is a case where it is over on the positive value.

Mr. Challstedt agreed saying that this has a very high ratio.

The Department of Natural Resources proposes to transfer 842 acres, more or less, of Common School Trust property located in King County to Natural Area Preserve (NAP) status. Proceeds from the timber value will be deposited into the Common School Construction Account. The land value proceeds will be deposited to the Real Property Replacement Account and used to purchase replacement property desirable for the Common School Trust. The property asset base of the Common School Trust is improved by:

- Disposing of property that is inefficient to manage for timber harvest income.
- Enabling replacement of the asset with property that has greater potential for income production to provide future revenue to support public schools statewide.
- Public trust benefits include transferring property with significant ecological value to the Natural Areas Program to be held and managed for protecting and preserving the ecosystem.

The property is located approximately 10 miles Northeast of Enumclaw within Sections 3, 4, 9, 10, 15 and 16, Township 20 North, Range 8 East, W.M., in the South Puget Sound Region. There is an encumbrance in the form of a road right of way. There are no improvements or income associated with the property. The market value of the property is:

Timber (61,979 Mbf)	\$20,131,000
Land & Reprod.	<u>\$ 609,000</u>
TOTAL	\$20,740,000

The terms of the transfer are cash. The property is included in the 2007-2009 Biennium Trust Land Transfer Program. Approval and funding for the transfer is authorized by Washington Laws of 2008, Ch. 328, Section 3042 and RCW 79.17.200. Transfer will be by Department Order. Mineral rights will be retained by the existing trust ownerships. As specified by legislation, permitted use will be restricted to Natural Area Preserve purposes. The Department reserves access over the existing road known as the 5620 road, to provide access for state trusts and other cost share owners. The Department of Natural Resources also will reserve the property as Permit Lands as defined in the Department's Habitat Conservation Plan.

Mount Si North Trust Land Transfer

Evert Challstedt continued on to provide the presentation on Mount Si North. He provided an orientation of the three parcels located northeast of North Bend. He pointed out the existing NRCA on the presentation. He said the entire property is state forest transfer trust with the exception of a small 39-acre corner piece that is Common School that can be transferred directly; the remaining property has to be exchanged. He provided an aerial view that showed the property as high in elevation and adjacent to Forest Service property. It contains low value timber, and some of the timber would have to be helicopter logged due to the remote access. He reviewed the land and timber values, noting that the larger Mt. Si property has been divided for appraisal purposes. The remaining portion of Mount Si is still under appraisal and will be brought forward at a later date.

The Department of Natural Resources proposes to transfer 833 acres, more or less, of Common School Trust property located in King County to Natural Resources Conservation Area status.

Proceeds from the timber value will be deposited into the Common School Construction Account. The land value proceeds will be deposited to the Real Property Replacement Account and used to purchase replacement property desirable for the Common School Trust. The property asset base of the Common School Trust is improved by:

- Disposing of property that is inefficient to manage for timber harvest income.
- Enabling replacement of the asset with property that has greater potential for income production to provide future revenue to support public schools statewide.
- Public trust benefits include transferring property with significant ecological and social value to the Natural Areas Program to be held and managed for protecting and maintaining the property for public benefit.

The property is located approximately 10 miles Northeast of North Bend, within Sections 2, 12 and 14, Township 24 North, Range 9 East, and W.M., in the South Puget Sound Region. There

are no encumbrances, no improvements and no present income associated with the property.

The market value associated with the property is:

Timber (13,040 Mbf)	\$1,481,000
Land & Reprod	<u>\$ 94,000</u>
TOTAL	\$1,575,000

The terms of the transfer are cash. The property is included in the 2007-2009 Biennium Trust Land Transfer Program. Approval and funding for the transfer is authorized by Washington Laws of 2008, Ch. 328, Section 3042 and RCW 79.17.200. Transfer will be by Department Order. Mineral rights will be retained by their existing trust ownership. As specified by legislation, permitted use will be restricted to Natural Resources Conservation Area purposes. The Department of Natural Resources will reserve the property as Permit Lands as defined in the Department's Habitat Conservation Plan.

Chaplain / Piling / Echo (Section 8) Intergrant Land Exchanges

Mr. Challstedt continued on to describe the common school trust property that will be exchanged. He noted that Piling Creek is located in King County which is where the Department proposes to place all the State Forest Transfer Trust since it has to stay in King County. Chaplain and Echo, in Snohomish County will follow.

Mr. Challstedt said that the State Forest Transfer Trust that is on Charley Creek and Mount Si North will be transferred to Piling Creek. It will stay within the Green River drainage on similar type property that is currently Common School Trust so that the State Forest Transfer Trust designation on Mt. Si and Charley Creek can be transferred to the Piling Creek property. Mount Si will then be totally Common School and will be packaged and ready for transfer. There are still four additional trusts to exchange on Charley Creek.

Mr. Challstedt reviewed the balance of the exchange. He noted that the State Forest Transfer Trust will lose 726 acres; they will lose some timber volume but gain timber with higher value. The overall loss is \$10,000 which is a small percent of the total package. The Department feels this is a balanced exchange.

Mr. Challstedt explained that the rest of the trusts are on Charley Creek. He said that the Normal School Trust is proposed to be placed on the Echo property in Section 8 in Snohomish County. The appraiser was able to calculate this with a zero total balance by moving the boundary foot by foot to match the value he was looking for. The Department has a legal description that is a fractional part of that line, and works out well; it is surveyable and locatable on the ground.

Mr. Challstedt said the Scientific School Trust will be located on the Chaplain property. Once again the appraiser was able to balance this property out with a zero balance. The Agricultural School Trust, a 38-acre piece on Charley Creek, is to be moved to the property in Section 18. It also has a zero balance. He pointed out the other properties that had already been mentioned and noted that they are all adjacent to each other.

VALUATION SUMMARY:

The following table summarizes the intergrant exchanges.

Acres and Value by Trust

Trust Property	Acres	Timber Mbf	Timber Value	Land Value	Total Value
State Forest Transfer					
Charley Creek East TLT	120	3,346	\$1,123,000	\$137,000	\$1,260,000
Mount Si North TLT	795	13,043	\$1,481,000	\$ 89,000	\$1,570,000
	915	16,389	\$2,604,000	\$226,000	\$2,830,000
Totals					
Common School					
Piling Creek	189	10,210	\$2,755,000	\$ 65,000	\$2,820,000
SFT Gain / Loss	-726	-6,171	+\$ 151,000	-\$161,000	-\$ 10,000 .035%
Trust Property	Acres	Timber Mbf	Timber Value	Land Value	Total Value
Normal School					
Charley Creek East	71	5,905	\$1,855,000	\$ 25,000	\$1,880,000
Common School					
Echo (Section 8)	286	8,600	\$1,759,000	\$121,000	\$1,880,000
NS Gain / Loss	+215	+2,695	-\$ 96,000	+\$ 96,000	0
Trust Property	Acres	Timber Mbf	Timber Value	Land Value	Total Value
Scientific School					
Charley Creek East	220	19,978	\$6,169,000	\$ 81,000	\$6,250,000
Common School					
Chaplain	644	20,130	\$5,976,000	\$274,000	\$6,250,000
SS Gain / Loss	+424	+152	-\$ 193,000	+\$193,000	0
Trust Property	Acres	Timber Mbf	Timber Value	Land Value	Total Value
Agricultural School					
Charley Creek East	38	2,380	\$747,000	\$23,000	\$770,000
Common School					
Chaplain	80	2,480	\$737,000	\$33,000	\$770,000
AS Gain / Loss	+42	+100	-\$ 10,000	+\$10,000	0

The Department of Natural Resources proposes to exchange 1245 acres, more or less, of State Forest Transfer and Normal School, Scientific School, and Agricultural School Trust property in King County for 1199 acres, more or less, of Common School Trust property in King and Snohomish Counties. The purpose of the exchange is to designate the State Forest Transfer and Normal School, Scientific School, and Agricultural School Trust lands as Common School Trust so that the newly designated Common School Trust land can be included in a proposal to be transferred into the Charley Creek Natural Area Preserve and the Mount Si Natural Resources Conservation Area. Benefits to the trusts will be:

- Trust assets are repositioned for more efficient management.
- Common School Trust is repositioned for direct transfer at market value.
- State Forest Transfer and Normal School, Scientific School, and Agricultural School Trusts are repositioned to land that can be managed for timber revenue.
- Facilitates the direct transfer of property as directed by Trust Land Transfer Legislation.

A public hearing was held in North Bend on September 25, 2008. Three people attended, one testified in favor of the TLT. No written testimony was received. The properties are all within Snohomish and King Counties and are approximately located as follows:

- Charley Creek East, 10 miles northeast of Enumclaw within Sections 3, 4, 9, 10, 15, and 16, Township 20 North, Range 8, East, W.M.
- Mount Si North, 7 miles northeast of North Bend within Sections 2, 12, and 14, Township 24 North, Range 9, East, W.M.
- Piling Creek, 12 miles northeast of Enumclaw within Section 26, Township 21 North, Range 8, East, W.M.
- Chaplain, 10 miles northeast of Monroe within Sections 18 and 20, Township 29 North, Range 8, East, W.M.
- Echo (Section 8), 12 miles northeast of Monroe within Section 8, Township 29 North, Range 8, East, W.M.

Each Trust will reserve such minerals as it has in its present trust land.

Mr. Challstedt asked the Board to consider the exchange resolution first.

MOTION: Terry Bergeson moved to approve the Chaplain/Echo/Piling Intergrant Exchange Resolution 1280.

SECOND: Bruce Bare seconded.

Jon Kaino voted nay.

ACTION: Resolution 1280 was adopted

MOTION: Terry Bergeson moved to approve the Charley Creek East Resolution 1281.

SECOND: Bruce Bare seconded.

Jon Kaino voted nay.

ACTION: Resolution 1281 was adopted.

MOTION: Terry Bergeson moved to approve the Mount Si North Resolution 1282.

SECOND: Dan Bernardo seconded.

Jon Kaino voted nay.

ACTION: Resolution 1282 was adopted.

CHAIR REPORTS

Recreation Rules Update

Due to a scheduling problem the discussion on the Recreations Rules was continued until the January 6, 2009 meeting.

Futuring Groups

Chair Sutherland introduced Wade Alonzo, Community Relations Coordinator, and Eric Watrud, Forester, South Puget Sound Region. Chair Sutherland recalled a conversation from 2007 with Bonnie Bunning about the Top Management Meetings that are held in December and May each year. Ms. Bunning reminded Chair Sutherland that in 1987 she had worked with Glenn Heimstra, a consultant futurist who had come in and worked with senior staff of the DNR to develop a long-range look at the direction of the Department. Chair Sutherland suggested that each Division and Region Manager bring two of their brightest staff to the May 2007 meeting to look at the future of the Department. They had Mr. Heimstra return and talk about what he has seen over the past 20 years and what his idea of the future might be and ways that we can start thinking about how that affects what we do everyday. After that discussion and participation, those staff members who were specially invited were arranged into 3 groups of 13 or 14; they didn't work with, or know each other. Chair Sutherland challenged them to look at the next 20 years. He explained that he chose those people because they are career employees of the agency and they are going to be the ones that are going to live it and deliver it. He asked them to take the opportunity to look at what is going to happen in Washington State and the DNR, and what the Department should be thinking about and doing today to assure the vision that they would bring together for the year 2027.

Chair Sutherland gave them a year; the three groups could not talk to each other. He asked them to consider everything; there were no broad guidelines. He asked them to research and analyze what could be happening in 20 years. He asked them to come back in November to update top management on what they had been working on with a preliminary report detailing their suggestions and recommendations. In November he asked the groups to join together and integrate their thoughts for the final report in May 2008. He asked each group to give their final reports and then to assemble an overall report to the Board. The purpose of this report is to give the Board a sense of what the groups anticipate over the next 20 years so that the Department can start to think about what it needs to do to pursue the information provided by the groups.

Eric Watrud, Forester, South Puget Sound Region and Wade Alonzo, Community Relations Coordinator approached the Board to present the Futuring Groups presentation.

Mr. Watrud greeted the Board and thanked them for inviting him to the meeting. He noted that it has been a novel concept to work with these groups and it has been nice to finally coordinate those efforts. He explained that he and Mr. Alonzo would be providing a high-level summary of the work of each of the three groups. He noted that there is a first draft of the written report available if the Board members wanted more detail.

Mr. Watrud said that there are various outlooks that can be taken for the future; the groups decided to take an optimistic look. He noted that everyone is in an economic lull at the moment but over the next 10 to 20 years the Department and the state will continue to grow, prosper and survive. With that vision the three questions the groups addressed were:

1. What is the state going to look like in 20 years?
2. What is DNR going to look like in 20 years; and
3. How do we move DNR forward to its desired future?

Mr. Watrud took the Board back 20 years by abandoning the PowerPoint presentation and made use of an old overhead projector for the next portion of his presentation. He noted that 20 years ago:

- Ronald Regan was President;
- The population was 60 million less than it is right now; and
- Postage stamps cost 20 cents.

Mr. Watrud produced a 20 year old photo of some seasoned DNR employees that included John Viada, Bill Schmidt and Vicki Christiansen. He noted that DNR was harvesting a million board feet, and the spotted owl was an emerging issue.

Mr. Watrud moved forward to address the first question of what Washington State will look like in 20 years. He said that the groups agreed that in the year 2027 Washington State will probably look remarkably similar, but the population will have risen dramatically. The dramatic increase will influence everything that affects the state and the Department. The population will need places to live, work, and recreate. There will be more people on both ends of the spectrum, older and younger. The groups predict that the end of cheap oil is close, meaning we need to look at other avenues and opportunities to provide energy for our society.

Mr. Watrud reported that if the population is different, then the workforce will be different as well. There will be a more diverse workforce with people working past their retirement age; people may not spend an entire career with one agency, and others may expect accommodation for their lifestyles such as flexible work hours or being able to work from home. One of the tools to accommodate those needs will be technology. He provided a slide detailing some different types of technology such as a global positioning system (GPS), nanotechnology, and the Sawfish (an underwater submarine that can log in lakes and reservoirs) that are already obsolete because we already use them. One aspect of technology that is going to improve is communication; the opportunity to inform people internally and externally can be used as a tool to our benefit; learning about issues while they are small and dealing with them and advertising the positive things we do as a Department.

Mr. Watrud said that another issue is climate change. He showed a photo of Mount Hood from late summer 1984 and another from 2002 noting the differences in the landscape of the mountain due to climate change. He said that whether people accept climate change personally or not, it is affecting society. People are changing their purchasing habits such as buying hybrid vehicles, because of fuel prices and reducing their carbon footprints. DNR's new compound is a lead certified green building, and because of climate change the DNR may be planting different

species of trees in different areas, or its wine growing season could be longer. The groups all agreed that climate change is something the Department needs to remain aware of.

Mr. Watrud said that it is estimated that the state of Washington uses 85 gigawatts (GW) of electricity per year, and by 2027 Washington will need an additional 35 GW. As a land management agency DNR is uniquely positioned to provide some of that energy, by providing the location for wind, solar, or wave energy or even providing the energy itself. Another option is alternative fuels such as cellulosic biomass, or better known as wood chips. By utilizing this resource the Department can address forest health issues, reduce the danger of wildfire, and provide a better return to the trust beneficiaries. He noted that grown and dehydrated algae can be burned and converted into energy and that instead of being produced from fossil fuels biodiesel is being produced from naturally originated oils.

Mr. Alonzo took over the presentation to answer the second question which was what will DNR look like in 20 years. He said that the Department has several choices it can make to reach its goals of the preferred future. By taking action now the Department can begin driving itself to reaching that preferred future. The groups looked at DNR's current mission and asked if it would be relevant in 2027. The group's agreed that the Department's current mission of providing professional, forward looking stewardship of our state lands, natural resources and environment, coupled with providing leadership in creating a sustainable future for the trusts and citizens of the state will still be a relevant mission in 2027. In the future we can be leaders in sustainability if the public understands what the Department does and others follow its direction.

Mr. Alonzo said that the groups agreed that the DNR will still be doing many of the same things it is doing now in the year 2027. It will still be providing a variety of wood fibers for a variety of markets and products; the forests will be carbon sinks, and the lands that are managed by the Department will be good for recreation and open space as well as for providing habitat for fish, wildlife, clean water and other environmental benefits that could be monetized. The groups felt that the Department will still be the premiere wildland fire fighting department.

Mr. Alonzo noted that although each group began working in isolation they all came to the conclusion that communication and working closely with stakeholders will be a key component of the preferred future. The Department will need to remain relevant and present to the public and will need to use the tools that the public is using to interact and communicate. He said that the current use of social media will be continue and grow by 2027; that trend of interactive communication as opposed to the press releases of today. The Department has already begun to explore those options and it recognizes that it will require more resources and the department needs to plan for that.

Mr. Alonzo shared that the groups felt that the Department will be well positioned to take advantage of new markets to generate revenue. DNR has a lot of land whose services could be monetized, such as clean water. As a carbon sink, this is the first ecosystem service that the Department may be able to sell. There may also opportunities to expand existing markets for existing products, and because of the growth in population in Washington State land values will continue to rise. The groups felt it was prudent for DNR to continue blocking up its lands and

look at areas where conversion is at risk to keep the land in working farms and forests while maintaining the quality of life for citizens of the state by preserving open space. The Department will be well positioned to enter the alternative energy market using, wind, waves, or perhaps solar farms.

Mr. Alonzo explained that the Department is going to have to be more efficient at managing data. At the moment it is labor intensive to turn data into information that helps the Department make useful decisions. In the future that will be one of the key technological changes, and the groups envisioned desktop software that will analyze certain data and provide staff with immediate and useful information.

Mr. Alonzo suggested that in order to be successful the Department will need to be a cutting edge employer. Studies show that professionals are following the money and the competition is around salary. Working for state government is a good career but if talented people are competing solely on salary, it will be important for the Department to develop non-monetary incentives such as increased training, job flexibility and quality of life incentives to recruit qualified staff. The Department could recruit more heavily with colleges and universities, offer student loan forgiveness, or childcare. The Department will have to consider some of these benefits in order to attract qualified candidates.

Mr. Alonzo said that the groups felt that the DNR will be leading the way in environmental protection, particularly forest health and will be preserving open space for working farms and forests, and will be preserving the quality of life in the process for a better environment for people and wildlife. All this can be done operating from sustainable facilities like the Tumwater Compound.

Mr. Watrud talked about the recommendations that were made by the groups on how to move the Department forward towards the desired future. He noted that the recommendations included resource management, communication, workforce, land exchanges, facilities, climate change, vehicle fleet, partnerships, recreation and other broad recommendations. He noted that Clay Sprague and Bob Redling have consolidated the recommendations into a report and each Board member does have a copy.

Mr. Alonzo shared the groups of recommendations on asset management. The groups felt that the Department is currently walking a tightrope balancing its responsibility as a trust manager, as a steward of natural resources, and as a provider of a variety of economical, social and environmental benefits to many different stakeholders. There are trade-offs that take place to manage these and they will become more complex and contentious as instant networking becomes more readily available. The groups proposed that when the Department is faced with making the trade-offs between stakeholders that it practices value maximization which is making those decisions that maximize the total value of the Department's whole portfolio. 200 years of economic theory suggests that when an organization maximizes the total value of its entire portfolio over the longest term horizon possible, all stakeholders, all beneficiaries and society are served the best in the long-term. The groups felt that if this management philosophy were to be adopted it would help DNR make difficult decisions, explain them to our stakeholders in a

way they may understand, and defend our positions and answer tough questions that may be difficult to answer today. In order for DNR to improve its ability to seek this long-term value from our land it has to take a holistic land management perspective, meaning it needs to track social values by pulling in stakeholders and allowing them to point out where they hike, fish and camp. They are pointing out where their social values are located on the landscape. The groups felt that capturing these three types of values is a database approach. The groups felt that holistic land management is a logical extension of this notion of value maximization, and will allow DNR to become a more flexible organization that is better positioned to take advantage of opportunities as they come. Referring to a ven diagram Mr. Alonzo said that the groups felt that when holistic land management is practiced management favors one of the three circles [social, environmental or economic] but over the whole landscape the management of the land is in the center where the three circles overlap.

Mr. Watrud addressed the recommendations for land management. The groups mentioned roads, land exchanges, rock and gravel mining, and a host of other land management issues. The group chose to focus on Legacy Trees. He explained that when DNR harvests an area leave trees or "legacy trees" are left on site. The Department doesn't currently receive any compensation for that. The groups saw an opportunity in society where people are willing to buy carbon credits, or adopt a star which is something you could never touch or even see. This is an opportunity to give people something physical that they can feel good about and can provide returns to the trusts and would provide some positive advertising for the good work that the agency does. He explained that the concept of adopting a legacy tree would include existing trees that are already being left in riparian zones or for wildlife habitat. Mr. Watrud shared a short video segment that was created by the futuring groups for the Legacy Tree Adoption concept.

Mr. Alonzo addressed the importance of capturing the knowledge of DNR employees as they retire, or move on to other employers or careers to increase the Department's institutional knowledge. DNR has employees with 40+ year careers who have worked and developed strong key working relationships across the state; it is important that the Department begin planning for the transition of those relationships.

Mr. Watrud continued on to talk about DNR's external relationships, internal relationships and cohesion. He noted that the Department is currently arranged by divisions, and the definition of divisions is separate or divided. The groups would like to see a paradigm shift, such as is being suggested by an adoption of holistic management; a semantic change that would have a positive internal benefit. Rather than being arranged in divisions, calling them branches. It seems like a good fit because DNR is an agency that manages, trees, streams, and fires all of which have branches and indicates that they we are all interconnected and attached to the whole.

Mr. Alonzo addressed the groups' recommendations around partnerships and communication. The groups envision a future where our children grow up understanding the natural heritage inheritance that they are receiving and is being managed for them through state trust lands, NRCA's, and NAP's on their behalf. They should grow up understanding that it is part of being

a Washingtonian. The groups also envisioned better partnerships with education to make sure school children are learning this. The groups would like to see decentralized communication around the communities in the state in order to communicate with our stakeholders and share the DNR story more effectively. Lastly, the Department needs to communicate more strategically leveraging technology; such as posting a Commissioner's Blog, community forum chats, Wiki's and other forms of technology.

Mr. Watrud explained that a few years ago the Resource Protection Division had put together the Strategic Plan for Wildland Fire Protection which outlined how the Department would continue to be the states largest volunteer firefighting force and would coordinate with fire districts and other jurisdictions to protect life, property and resources; the plan needs to be implemented. Similarly continuing to funding the core programs of forest practices, timber fish and wildlife will be instrumental.

Mr. Alonzo commented that one of the most critical issues in 2027 will be forest health. He said that it has taken 100 years to get to the forest health situation that the state is currently in and it will take years to get out of it. The groups perceive more integrated regulation, stewardship assistance, increased prevention activities including prescribed burning, and market incentives. New markets for biofuels or alternative energy can provide the vehicle that landowners need to pay for the maintenance and management they that hey need to address 4the problem effectively. Lastly, to make a difference the groups foresee the need for cross ownerships and whole landscapes developing forest health landscape planning.

Mr. Alonzo talked about leveraging technology in the future; the Department has some work to do to get there. Data management and sharing is going to be important and the Department is going to have to invest in that to make it happen. An enterprise approach will need to be developed to fund technology; many organizations struggle with funding it but as it is now the IT branch follows the money and they work on projects that have funding. That project may have a small number of people or programs within the Department. In order to toward an enterprise approach across the agency, the groups are calling for the Information Customer Advisory Team (ICAT). ICAT would consist of a cross programmatic group of DNR employees collaborating and evaluating each potential project that the Department might build in such a way as to figure out which ones provide the best cost to benefit ratio for the Department. The Department also needs to develop a stable funding source for technology. Currently the Department has many core services that have grown beyond what can be sustained over time. The group felt that this will be a critical factor over the next 20 years. Because technology will be so important in the future it will be extremely important to provide training to managers who may have come up with a natural resource background but may not have information management skills.

Mr. Watrud said that this has been a year of hard work by various people and has included varied recommendations. The groups are excited about the opportunities; the Department is well positioned with a highly professional, highly trained and educated workforce to move DNR forward in the future to help supply the needs of Washington, help meet the needs of the

schools, and to provide habitat for fish and wildlife. He noted that some of the recommendations are already being done in the Department and others are new. The groups hope that by taking a look at them there will be some good food for thought.

Mr. Alonzo thanked Mark Fullerton for preparing the presentation.

Ms. Bergeson said that vision for the state and the connection between the children, teachers, foresters and aquatic resources makes us think about the future and she hopes that Mr. Dorn will take a look at what the groups have done. She said that communication and telling the story of the Department is important for the ability of young people to create the future. She thanked them for their efforts.

Mr. Bernardo said that Washington State University Department of Agriculture is doing a similar visioning exercise involving stakeholders and they also identified communication as the overarching theme. He said we all know there is a lot of value to capture but we have not been able to figure out how to sort it all out and use the information. He said he liked the holistic diagram; noting that the circles are the same size in the current diagram. He predicted that if 1.6 million more people are added to the population in the state, within 20 years those circles would probably represent 380.

Mr. Watrud agreed saying that the Department is going to have to manage its traditional markets, as well as develop new and emerging markets like energy production and others. DNR will need to tap into its unique land base to meet the needs and desires of the state of Washington.

Mr. Kaino said that the impacts of 1.6 million people to the state would be less than the impacts of a couple more marbled murrelet or spotted owl.

Mr. Bernardo said that those are just vestiges of the 1.6 million people. The environmental and social ball will get bigger but the economic forces will stay the same or get smaller and it points towards diversification of the land base and the revenue streams. He said the biofuels may seem rosy but basic economics will tell you that wood slash is not going to be the most valuable commodity due to basic supply and demand, the cost of transporting etc.

Mr. Alonzo agreed with Mr. Bernardo's comments saying that in 2027 the Department will have moved on from biofuels. He said it is more important to build a Department that is flexible and can respond to opportunities wherever they may be, and to focus energy into those areas instead of trying to forecast and prognosticate what those markets may be. Mr. Alonzo also said that in a state with an increasing population, looking at what is going to be scarce is what is going to be valuable.

Ms. Bergeson said that we are an impatient society and want quick return on our investment. She said she believes the core of DNR's business is in the land base; the trees and vegetation, and managing that environment is the social, environmental, ecological and economic circle in terms of what she has learned. She wants the Department to be smarter about utilizing the land

base and keep the forest products industry alive. She said communication is critical because we need to make people understand what would be given up if we take the quick fix. The Department would not want to go back to harvesting as it did in the past knowing the damage that was done to the circles. The Department can begin to grow better habitat as well as diversify. If DNR loses its core the mission will be lost.

Mr. Nichols asked to what extent did the key trust principal come up in the groups discussions about intergenerational equity; the balance of the present versus the future.

Mr. Alonzo said the groups made the assumption that the fiduciary responsibility would remain in 2027.

Mr. Watrud said that intergenerational equity is part of the trust mandate and is what DNR does and will continue to do.

Mr. Nichols said that as the population increases there is pressure to address those needs now, but the one thing that has been pervasive over the past several years is the notion that you can't take from the future to satisfy the present which is a fundamental principle.

Mr. Watrud said that to address those issues the Department will need to develop an approach to deal with them by finding new markets that make sense, by having the land base in defensible blocks that are easily managed, and by communicating that message to the public so the Department stays relevant.

Mr. Nichols thanked Chair Sutherland for taking the initiative to present this fresh perspective.

Mr. Bare observed that the ethnic diversity in the room and on the Board was not overwhelming. He said that the population makeup will be different in 2027 and it may look at resources differently than we currently do which will create new demands. He said the Department needs to look into forecasting for the right population by taking diversity into account.

Mr. Alonzo said that diversity could be the Department's strength by having perspectives that generate new and rich ideas that were never thought of. That could be the key to the future.

Chair Sutherland shared his excitement about the future of DNR. He said that the members of these groups have developed significant relationships and ownership for their efforts. He said he was surprised by the effort they put into the projects, and he was amazed by their creativity. He said it is hard to predict what the long-term legacy will be, but it will have such a strong structure that it will be played out in ways that none of us can imagine. Chair Sutherland explained that this exercise has created a group of people within the Department that have begun thinking on a broader basis and on a broader scale than has been done in the past. Chair Sutherland thanked Clay Sprague for providing guidance to the groups.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST


Rob Kavanaugh introduced himself to the Board to provide comment on his suggestion of a draft bill that would provide enforcement capabilities for the DNR, WDFW, and State Parks for those who knowingly and willingly destroy state listed threatened and endangered native plants.

Meeting adjourned at 12:00 p.m.

Approved this 6th day of Jan, 2008


Doug Sutherland, Commissioner of Public Lands


Bob Nichols for Governor Christine Gregoire


Terry Bergeson, Superintendent of Public Instruction


Jon C. Kaino, Commissioner, Pacific County


Bruce Bare, Dean, University of Washington


Daniel J. Bernardo, Dean, Washington State University

Attest:


Bonita Hill, Board Coordinator